

Victorian Co-operative News

Bulletin of the Co-operative Federation of Victoria Ltd

Volume 3 Issue 1

Autumn 1996

Proposals for Consistent Co-operatives Legislation

In this third article on co-operative's operating across state borders, Corrs Chambers Westgarth outlines the changes needed to co-operatives law to facilitate trade with interstate members, and to provide for cross border mergers and takeovers.

Over the past two years, discussions between the Standing Committee for Attorneys General, State and National Co-operative peak bodies and other industry groups have taken place, about the implementation of consistent Co-operatives Legislation.

Negotiations principally revolved around the need to address the problems facing co-operatives wishing to trade across State borders.

Co-operatives have faced difficulties in issuing securities and accepting members across State borders because of inappropriate and prohibitively expensive Corporations Law disclosure requirements.

This is especially a problem in the agricultural sector where efforts are being made to restructure and become more cost efficient.

To deal with these problems, the Victorian Government is drafting a new Co-operatives Bill that seeks to clearly identify the characteristics of Co-operatives that render them different to companies.

The Bill is likely to contain provisions which will apply to Co-operatives that trade both Intra and Inter-State:

- Co-operative Principles;
- One member - one vote;
- Active membership requirements;
- Enhanced Disclosure, Directors Duties and an adequate enforcement regime;
- Interstate recognition of trading

co-operatives, with provision for mergers, takeovers, transfer of engagements and foreign registration; and

- Winding up and charges

Provisions in relation to fundraising are particularly important. Currently, the Corporations Law limits the ability of co-operatives to issue membership shares across State borders without issuing a prospectus.

However, the proposed provisions will allow co-operatives to accept members by issuing membership shares across State borders without a prospectus being issued, subject to adequate disclosure.

It is proposed that co-operatives will first be required to seek foreign registration in the State/Territory in which it proposes to seek members.

As long as the co-operative was registered as a foreign co-operative, it would not be subject to the fundraising provisions of the Corporations Law simply because it was operating across State borders.

Members usually have a higher level of understanding about the activities and directions of their co-operative, compared to shareholders in a public company.

A shareholder in a company is only interested in profits whereas a member of a co-operative is primarily interested in trading or service benefits.

Shareholding is likely to be restricted to those members who actively use their co-operative's services. This will ensure that active members retain control of their co-operative.

Special provisions are likely for non-trading/not-for-profit co-operatives to reduce the costs and requirements associated with incorporation.

Once drafted, it is hoped that the Victorian Bill will be released as an exposure draft for consideration by all States and Territories. The Bill could form the basis for consistent Co-operative Legislation around Australia. □

Co-operative Opportunities Project

The Co-operative Federation of Victoria has initiated a *Co-operative Opportunities Project* to explore new opportunities for co-operative enterprise in Victoria and to promote public interest in the co-operative model.

The Federation has recently published two Issues Papers on opportunities for co-operatives arising from the restructuring of local government and the electricity industry in Victoria.

Two further Papers are planned by mid year, dealing with co-operative opportunities for health care and farm forestry.

The Federation plans to hold a seminar later in the year on the subject of the Issues Papers.

For more information about the Project contact Vern Hughes, Project Coordinator, telephone (03) 9314 7235, fax (053) 483 253. □

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Victorian Producers' Co-operative Company Limited

The Victorian Producers' Co-operative Company Limited (VPC) was founded in 1910 and exists today to provide services to maximise the rural incomes of its members.

VPC was formed from the work of one man - an enthusiastic young farmer of the Warracknabeal district named Ferdinand Nuske.

In the first decade of this century Nuske set out, on his own initiative and expense, to promote the formation of a co-operative to enable farmers to "escape the tyrannical conditions imposed on them by middlemen in the sale of their produce and the purchase of their requirements."

Nuske took as his inspiration the great success and economic strength which resulted from the efforts of the Rochdale Pioneers.

In 1844, 28 weavers in Rochdale, England, formed themselves into a trading unit from which they obtained mutual advantage, protection and security.

Their expansion to large scale and highly profitable operations was noticed abroad, and soon primary producers around the world realised the great benefits to be derived from the practice of the co-operative principles.

In promoting the co-operative idea, Nuske said "Let us create our own organisation and displace the many rings, trusts and combines that frustrate and retard our progress; and in their place build an institution of our own to handle our production and purchase our requirements on a co-operative basis."

At a glance

Formed: 1910

Shareholders: 5000

Sales: \$518 million

Total Assets: \$44.2 million

Shareholders' Funds: \$8.9m

Employees: 313

**Figures at 30 June, 1995*

Address: 147 - 155 Pelham St,

Carlton, Victoria, 3053

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"In doing so, in addition to the many economic advantages that will accrue to shareholders and farmers generally, we will share the profits in the shape of dividends and rebates."

As a result of his efforts, the Victorian Producers' Co-operative Company Limited was registered on 24th January, 1910.

VPC's first office opened in Bendigo, and later in 1910, its registered office was transferred to Melbourne.

In early 1911, the Co-operative acquired the goodwill of a hide and skin broker in the City, and later that year, shareholders encouraged the Co-operative to enter into woolbroking operations.

VPC's major activity in its early years was wheat trading. This ceased when the Australian Wheat Board was established in 1948 to market the Australian crop. For some years afterwards, the Co-operative acted as agents for the Board.

The Co-operative also had a very large machinery department and held the agency for Case tractors.

VPC came through the depression and World War 2 in good shape, poised to participate in the rapid expansion of the Pastoral Industry in the 1950's and 60's.

The rationalisation of Pastoral Houses during the 1980's saw VPC establish new branches and acquire a number of major private stock and station agents.

Today, VPC has 50 branches in 3 States serving 25,000 farmers and is the fourth largest woolbroker/ stock and station agent in Australia, with sales of \$518 million in 1994/95.

VPC has large wool stores at Melbourne, Geelong and Portland, and in the year ended 30 June 1995, sold by auction 143,000 bales for \$131 million.

VPC also deals in livestock, real estate, merchandise, travel, finance and insurance.

VPC is an agent/broker and does not operate as a principle except in farm supplies. □



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Developing Best Practice for Agricultural Co-operatives

Edgar Parnell, Director of the UK Plunkett Foundation and author of the book *Reinventing the Co-operative*, will be in Melbourne on Saturday 20 April to conduct a seminar for Victorian agricultural co-operatives.

The seminar will focus on the practical ways in which agricultural co-operatives can become more commercially effective and deliver better benefits for their members.

Mr Parnell is a world authority on the co-operative model. He is involved in the provision of consultant and training services to co-operatives and other 'people centred' businesses, and is responsible for directing a number of development projects in various parts of the world.

Mr Parnell's current and recent activities include: Member of the Central Committee of the International Co-operative Alliance, Vice President of European Co-operatives for Agricultural and Rural Development, Member of the U.K. Co-operative Council and Member of various specialist Working Parties of COGECA, the central organisation of EC agricultural Co-operatives.

The Plunkett Foundation, formed in 1919, provides a range of services in support of the sustainable development of farmer controlled organisations, co-operative enterprises, and other 'people centred' businesses.

In his recent book, *Reinventing the Co-operative*, Mr Parnell argues that the successful enterprise of the 21st century will be focused, profitable, able to access resources, customer/market led, flexible, innovative

and able to find a commonality of purpose with the other stakeholders involved in the business.

"If we are to accept the above as the profile of the successful enterprise of the future then we must surely measure our own enterprises against this list of points and then identify what changes need to be made in the way we do things, so that we can, in practice, measure up."

Mr Parnell believes there is a need to look closely at the way co-operatives are currently organised and how to reinvent them for the challenges ahead.

Mr. Parnell is keen to use this seminar to examine World Best Practice and to assist local co-operatives to work on their major issues of governance, strategic planning, finance and co-operative identity.

Mr Parnell is especially keen to make the expertise of the Plunkett Foundation and his own world wide experience available to assist Victorian agricultural co-operatives address their specific issues in a practical manner.

Accordingly, co-operatives are invited to put forward a particular issue or case history that Mr Parnell could address at the seminar.

An outline should be sent along with the registration form, and be prepared to present a summary at the seminar.

The seminar is jointly sponsored by the Co-operative Federation of Victoria and the Asia Pacific Co-operative Training Centre.

Further details can be obtained from Tony Gill (053) 457 466 or Tim Dyce on (02) 3332 4596. □

Clinic

for agricultural co-operatives

Reinventing the Co-operative

presented by

Edgar Parnell

Saturday 20 April, 1996

9.30am to 4.30 pm

at

Victorian Credit Union Services' Corporation
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News in Brief

New co-op policy officer

The Office of Fair Trading has appointed a new full time policy officer on co-operatives legislation.

Ms Britt Maxwell of the legal firm Corrs Chambers Westgarth has been seconded to the office to assist in the drafting, development, consultation and implementation of the proposed new act.

Britt can be contacted on (03) 9627 6090.

Co-ops Council met in Melb

The Co-operatives Council of Australia met in Melbourne on 28 February to discuss important co-operative issues, including: consistent co-operatives legislation, effect of competition policy on co-operatives and image of co-operatives.

Recent retirements

Over the past couple of months there have been a number of retirements from member co-operatives: Ian Gresswell, Roy Paterson and Dan McMullan (Bonlac Foods), Gerald Jongbloed (Victorian Producers' Co-operative), and Ian Rissstrom (West Gippsland Herd Improvement Co-operative).

Retail Seminar - Sydney

The Co-operative Federation of NSW is organising a one day Seminar for Directors, Managers and Staff of retail co-operatives. Keynote speaker will be Edgar Parnell. Contact Don Kinnersley on (02) 412 1760 for details.

Your Federation at Work

New act closer

A new co-operatives act moved closer to reality after the Victorian Government approved the drafting of a co-operatives bill in late January.

It is expected that an "exposure" draft will be released for comment in June.

Casual vacancy

Due to Miriam Carlson moving interstate, there exists a vacancy on the Board of Directors of the Federation. The term of the office ends at the 1997 annual meeting.

Members are invited to nominate their delegate to fill the vacancy. For details on the position, and nomination form, please contact the Secretary, Tony Gill on (053) 457 466.

Parnell book popular

Edgar Parnell's recent book, *Re-inventing the Co-operative* has proved to be very popular, with over 60 sold so far. The Federation has extensively promoted the book, with a number of orders coming from interstate. One satisfied manager has

said, "It is my intention to give each of my Directors a copy of this excellent publication as well as donating one to our local High School."

Co-operative brochure

A new brochure, *Introducing Co-operatives*, is now available from the Federation.

The brochure, developed by the Federation with funds from the Justice Department, outlines: *What is a co-operative?*, *Where co-operatives began*, *Co-operatives in Australia*, *Unique features of co-operatives*, the main differences between *Co-operatives and Companies*, and the new *Co-operative Principles*.

The brochure can be obtained from the Secretary on (053) 457 466

Coming seminars

The Federation is jointly sponsoring a seminar for agricultural co-operatives on 20 April, and is holding a seminar for community co-operatives on 24 April. See advertisements in this bulletin for details.

Seminar

for

community co-operatives
(child care, housing, aboriginal, radio, clubs and other community enterprises.)

to be held at the Melbourne Zoo
Parkville

Wednesday 24 April
10.00 am - 3.00 pm

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Lilli Healy (03) 9372 1897

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The Board of the Federation has adopted an advertising policy for the News.

Members of the Federation will get free advertising. Non members shall pay at a rate determined from time to time.

In the event of the number or size of advertisements exceeding space available, precedence will be given to members advertisements.

The editor will have the discretion on the size of advertisements, taking into account editorial space.

For advertising enquires, call (053) 457 466

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Produced for the Co-operative Federation of Victoria Ltd
by Tony Gill, Langs Road, Blampied, Victoria, 3364.

Printed by:

Co-operative Federation of Victoria Ltd
RMB 1282, Blampied, Victoria 3364
Telephone: (053) 457 466
Facsimile: (053) 483 253